

ORIGINAL



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BEFORE THE ARIZONA CORPORATION CC  
RECEIVED

COMMISSIONERS

KRISTIN K. MAYES - Chairman  
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PAUL NEWMAN  
SANDRA D. KENNEDY  
BOB STUMP

2010 JUL -6 P 1:21

ARIZONA CORPORATION COMMISSION  
DOCKET CONTROL

IN THE MATTER OF THE APPLICATION OF  
ARIZONA-AMERICAN WATER COMPANY,  
AN ARIZONA CORPORATION, FOR A  
DETERMINATION OF THE CURRENT FAIR  
VALUE OF ITS UTILITY PLANT AND  
PROPERTY AND FOR INCREASES IN ITS  
RATES AND CHARGES BASED THEREON  
FOR UTILITY SERVICE BY ITS ANTHEM  
WATER DISTRICT AND ITS SUN CITY  
WATER DISTRICT.

DOCKET NO. W-01303A-09-0343

IN THE MATTER OF THE APPLICATION OF  
ARIZONA-AMERICAN WATER COMPANY,  
AN ARIZONA CORPORATION, FOR A  
DETERMINATION OF THE CURRENT FAIR  
VALUE OF ITS UTILITY PLANT AND  
PROPERTY AND FOR INCREASES IN ITS  
RATES AND CHARGES BASED THEREON  
FOR UTILITY SERVICE BY ITS  
ANTHEM/AGUA FRIA WASTEWATER  
DISTRICT AND ITS SUN CITY WEST  
WASTEWATER DISTRICT.

DOCKET NO. SW-01303A-09-0343

**NOTICE OF ERRATA REGARDING  
SCHEDULES FOR THE SUN CITY  
WATER DISTRICT**

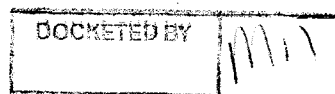
The Utilities Division ("Staff") of the Arizona Corporation Commission files this Notice of Errata regarding the schedules for the Sun City Water District. The attached Schedules GWB-1 through GWB-20 reflects the correction of a computational error made to the original rate base. Staff's rate base was overstated by \$365,579. The correction also results in a lower revenue requirement.

RESPECTFULLY SUBMITTED this 6<sup>th</sup> day of July 2010.

Arizona Corporation Commission

**DOCKETED**

JUL - 6 2010



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3 6<sup>th</sup> day of July 2010 with:

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**ARIZONA-AMERICAN WATER COMPANY - SUN CITY WATER**

Docket No. WS-01303A-09-0343

Test Year Ended December 31, 2008

**ERRATA TESTIMONY OF GERALD BECKER**

**TABLE OF CONTENTS TO SCHEDULES :**

<b><u>SCH #</u></b>	<b><u>TITLE</u></b>
GWB- 1	REVENUE REQUIREMENT
GWB- 2	GROSS REVENUE CONVERSION FACTOR
GWB- 3	RATE BASE - ORIGINAL COST
GWB- 4	SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS
GWB- 5	RATE BASE ADJUSTMENT #1 PLANT AND ACCUMULATED DEPRECIATION
GWB- 6	RATE BASE ADJUSTMENT #2 - ACCUMULATED DEFERRED INCOME TAXES
GWB- 7	RATE BASE ADJUSTMENT #3 - WORKING CAPITAL PER COMPANY
GWB- 8	RATE BASE ADJUSTMENT #3 - WORKING CAPITAL PER STAFF
GWB- 9	RATE BASE ADJUSTMENT #4 - CIAC ASSOCIATED WITH CWIP
GWB- 10	OPERATING INCOME STATEMENT - TEST YEAR AND STAFF RECOMMENDED
GWB- 11	SUMMARY OF OPERATING INCOME ADJUSTMENTS - TEST YEAR
GWB- 12	OPERATING INCOME ADJUSTMENT #1 - POWER EXPENSE
GWB- 13	OPERATING INCOME ADJUSTMENT #2 - EXCESS WATER LOSS
GWB- 14	OPERATING INCOME ADJUSTMENT #3 - BAD DEBT EXPENSE
GWB- 15	OPERATING INCOME ADJUSTMENT #4 - WATER TESTING EXPENSE
GWB- 16	OPERATING INCOME ADJUSTMENT #5 - DEPRECIATION EXPENSE
GWB- 17	OPERATING INCOME ADJUSTMENT #6 - INCOME TAXES
GWB- 18	OPERATING INCOME ADJUSTMENT #7 - RATE CASE EXPENSE
GWB- 19	OPERATING INCOME PROPERTY TAX EXPENSE GRCF COMPONENT
GWB- 20	OPERATING INCOME ADJUSTMENT #15 - TANK MAINTENANCE

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY ORIGINAL COST	(B) COMPANY FAIR VALUE	(C) STAFF ORIGINAL COST	(D) STAFF FAIR VALUE
1	Adjusted Rate Base	\$ 28,186,062	\$ 28,186,062	\$ 28,192,680	\$ 28,192,680
2	Adjusted Operating Income (Loss)	\$ 861,084	\$ 861,084	\$ 906,189	\$ 906,189
3	Current Rate of Return (L2 / L1)	3.06%	3.06%	3.21%	3.21%
4	Required Rate of Return	8.53%	8.53%	7.20%	7.20%
5	Required Operating Income (L4 * L1)	\$ 2,404,271	\$ 2,404,271	\$ 2,029,873	\$ 2,029,873
6	Operating Income Deficiency (L5 - L2)	\$ 1,543,187	\$ 1,543,187	\$ 1,123,684	\$ 1,123,684
7	Gross Revenue Conversion Factor	1.6402	1.6402	1.6402	1.6402
8	Required Revenue Increase (L7 * L6)	\$ 2,531,130	\$ 2,531,130	<b>\$ 1,843,078</b>	<b>\$ 1,843,078</b>
9	Adjusted Test Year Revenue	\$ 9,283,101	\$ 9,283,101	\$ 9,283,101	\$ 9,283,101
10	Proposed Annual Revenue (L8 + L9)	\$ 11,814,231	\$ 11,814,231	\$ 11,126,179	\$ 11,126,179
11	Required Increase in Revenue (%)	27.27%	27.27%	19.85%	19.85%
12	Rate of Return on Common Equity (%)	12.25%	12.25%	10.20%	10.20%

References:

Column [A]: Company Schedule A-1

Column (B): Company Schedule A-1

Column (C): Staff Schedules GWB-2, GWB-3, and GWB-10

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	(A)	(B)	(C)
<u>Calculation of Gross Revenue Conversion Factor:</u>				
1	Revenue	100.0000%		
2	Uncollectible Factor (Line 11)	0.0921%		
3	Revenues (L1 - L2)	99.9079%		
4	Combined Federal and State Income Tax and Property Tax Rate (Line 23)	38.9401%		
5	Subtotal (L3 - L4)	60.9678%		
6	Revenue Conversion Factor (L1 / L5)	1.640211		
<u>Calculation of Uncollectible Factor:</u>				
7	Unity	100.0000%		
8	Combined Federal and State Tax Rate (Line 17)	38.5989%		
9	One Minus Combined Income Tax Rate (L7 - L8)	61.4011%		
10	Uncollectible Rate	0.1500%		
11	Uncollectible Factor (L9 * L10)		0.0921%	
<u>Calculation of Effective Tax Rate:</u>				
12	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%		
13	Arizona State Income Tax Rate	6.9680%		
14	Federal Taxable Income (L12 - L13)	93.0320%		
15	Applicable Federal Income Tax Rate (Line 44)	34.0000%		
16	Effective Federal Income Tax Rate (L14 x L15)	31.6309%		
17	Combined Federal and State Income Tax Rate (L13 + L16)		38.5989%	
<u>Calculation of Effective Property Tax Factor</u>				
18	Unity	100.0000%		
19	Combined Federal and State Income Tax Rate (L17)	38.5989%		
20	One Minus Combined Income Tax Rate (L18-L19)	61.4011%		
21	Property Tax Factor (GWB-17, L24)	0.5558%		
22	Effective Property Tax Factor (L20*L21)		0.3412%	
23	Combined Federal and State Income Tax and Property Tax Rate (L17+L22)			38.9401%
24	Required Operating Income (Schedule GWB-1, Line 5)	\$ 2,029,873		
25	Adjusted Test Year Operating Income (Loss) (Schedule GWB-10, Line 42)	\$ 906,189		
26	Required Increase in Operating Income (L24 - L25)		\$ 1,123,684	
27	Income Taxes on Recommended Revenue (Col. (F), L52)	\$ 744,362		
28	Income Taxes on Test Year Revenue (Col. (C), L52)	\$ 37,975		
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		\$ 706,387	
30	Recommended Revenue Requirement (Schedule GWB-1, Line 10)	\$ 11,126,179		
31	Uncollectible Rate (Line 10)	0.1500%		
32	Uncollectible Expense on Recommended Revenue (L30 * L31)	\$ 16,689		
33	Adjusted Test Year Uncollectible Expense	\$ 13,925		
34	Required Increase in Revenue to Provide for Uncollectible Exp.		\$ 2,765	
35	Property Tax with Recommended Revenue (GWB-17, Line 20)	\$ 166,317		
36	Property Tax on Test Year Revenue (GWB-17, Col A, L17)	\$ 156,074		
37	Increase in Property Tax Due to Increase in Revenue (L35-L36)		\$ 10,243	
38	Total Required Increase in Revenue (L26 + L29 + L34+ L37)		\$ 1,843,079	
<u>Calculation of Income Tax:</u>				
39	Revenue (Sch GWB-9, Col.(C) L5, GWB-1, Col. (D), L9)	\$ 9,283,101		
40	Operating Expenses Excluding Income Taxes	\$ 8,338,937		
41	Synchronized Interest (L52)	\$ 845,780		
42	Arizona Taxable Income (L39 - L40 - L41)	\$ 98,384		
43	Arizona State Income Tax Rate	6.9680%		
44	Arizona Income Tax (L42 x L43)	\$ 6,855		
45	Federal Taxable Income (L42 - L44)	\$ 91,528		
46	Federal Tax @ 34%	\$ 31,120		
47	Total Federal Income Tax	\$ 31,120		
48	Combined Federal and State Income Tax (L43 + L47)	\$ 37,975		
50	Effective Tax Rate			
<u>Calculation of Interest Synchronization:</u>				
51	Rate Base (Schedule GWB-3, Col. (C), Line 18)			\$ 28,192,680
52	Weighted Average Cost of Debt			3.0000%
53	Synchronized Interest (L50 X L51)			\$ 845,780

(A)
Test Year Sun City Water
\$ 9,283,101
\$ 8,338,937
\$ 845,780
\$ 98,384
6.9680%
\$ 6,855
\$ 91,528
\$ 31,120
\$ 31,120
\$ 37,975

(B)

(C)
Staff Recommended Sun City Water
\$ 11,126,179
\$ 8,351,945
\$ 845,780
\$ 1,928,454
6.9680%
\$ 134,375
\$ 1,794,080
\$ 609,987
\$ 609,987
\$ 744,362

N/A
\$ 28,192,680
3.0000%
\$ 845,780

## ARIZONA-AMERICAN WATER COMPANY - SUN CITY WATER

Docket No. WS-01303A-09-0343

Test Year Ended December 31, 2008

Schedule GWB-3

ERRATA

## RATE BASE - ORIGINAL COST

LINE NO.	(A) COMPANY AS FILED	(B) STAFF ADJUSTMENTS	(C) STAFF AS ADJUSTED
1	Plant in Service	\$ 63,616,417	\$ 63,832,499
2	Less: Accumulated Depreciation	18,973,897	18,951,889
3	Net Plant in Service	<u>\$ 44,642,520</u>	<u>\$ 44,880,610</u>
<u>LESS:</u>			
4	Contributions in Aid of Construction (CIAC)	\$ 13,194,724	\$ 13,233,715
5	Less: Accumulated Amortization	15,011	15,011
6	Net CIAC	<u>13,179,713</u>	<u>13,218,704</u>
7	Advances in Aid of Construction (AIAC)	5,860,651	5,860,651
8	Imputed Reg AIAC	-	-
9	Imputed Reg CIAC	342,458	342,458
10	Accumulated Deferred Income Tax Credits	-	-
	Customer Meter Deposits	2,450	2,450
<u>ADD:</u>			
11	Accumulated Deferred Income Tax Debits	1,904,817	1,855,666
12	Cash Working Capital	416,111	272,781
13	Prepayments	118,894	118,894
14	Supplies Inventory	51,086	51,086
15	Projected Capital Expenditures	-	-
16	Deferred Debits	437,906	437,906
17	Purchase Wastewater Treatment Charges	-	-
18	<b>Original Cost Rate Base</b>	<u>\$ 28,186,062</u>	<u>\$ 28,192,680</u>

References:

Column (A), Company Schedule B-2

Column (B): Schedule GWB-4

Column (C): Column (A) + Column (B)

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	ACCT. NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) Co Revisions	(F) STAFF ADJUSTED
<b>PLANT IN SERVICE:</b>					
1	301000	Organization	\$ 471		\$ 471
2	302000	Franchises			
3	303000	Land & Land Rights SS	180,023	88,715	268,738
4	303300	Land & Land Rights P	8,456		8,456
5	303500	Land & Land Rights TD	10,493		10,493
6	303600	Land & Land Rights AG	2,125		2,125
7	304100	Struct & Imp SS	3,880,262	(2,396,196)	1,484,066
8	304200	Struct & Imp P	456,858	1,678,424	2,135,282
9	304300	Struct & Imp WT	126,815		126,815
10	304400	Struct & Imp TD	34,162		34,162
11	304500	Struct & Imp AG	272,321		272,321
12	304600	Struct & Imp Offices	37,340		37,340
13	304800	Struct & Imp Misc	1,386,988		1,386,988
14	305000	Collect & Impounding	314		314
15	307000	Wells & Springs	5,660,450	(1,920,661)	3,739,789
16	309000	Supply Mains	(70)	286,388	286,318
17	310000	Power Generation Equip	148,309	228,632	376,941
18	310100	Power Generation Equip Other	-		-
19	311200	Pump Equip Electric	10,186,725	(931,564)	9,255,161
20	311300	Pump Equip Diesel	213,446		213,446
21	311400	Pump Equip Hydraulic	16,219		16,219
22	311500	Pump Equip Other	142,073		142,073
23	320100	WT Equip Non-Media	407,001	15,760	422,761
	320200	Solution Chemical Feeders		120,791	120,791
24	330000	Dist Reservoirs & Standpipe	1,477,247	2,078,210	3,555,457
	330200	Pressure Tank		81,352	81,352
25	331001	TD Mains Not Classified by Size	6,604,111		6,604,111
26	331100	TD Mains 4in & Less	12,507,918	55,204	12,563,122
27	331200	TD Mains 6in to 8in	2,266,442	48,870	2,315,312
28	331300	TD Mains 10in to 16in	99,361	606,988	706,349
29	331400	TD Mains 18in & Grtr	13,489	76,118	89,607
30	333000	Services	5,876,584		5,876,584
31	334100	Meters	3,378,717	68,077	3,446,794
32	334200	Meter Installations	592,322		592,322
33	335000	Hydrants	2,270,400		2,270,400
	336000	Backflow Preventors		7,036	7,036
34	339500	Other P/E TD	523		523
35	340100	Office Furniture & Equip	801,216		801,216
36	340200	Comp & Perish Equip	305,121		305,121
37	340300	Computer Software	25,335		25,335
38	340310	Computer Software	9,105		9,105
39	340325	Computer Software Custom	7,377		7,377
40	340500	Other Office Equipment	3,854		3,854
41	341100	Trans Equip Lt Duty Trks	1,095,694		1,095,694
42	341200	Trans Equip Hvy Duty Trks	23,777		23,777
43	341400	Trans Equip Other	8,233		8,233
44	342000	Stores Equipment	20,038		20,038
45	343000	Tools, Shop, Garage Equip	269,034		269,034
46	344000	Laboratory Equipment	9,560		9,560
47	345000	Power Operated Equipment	151,899		151,899
48	346100	Comm Equip Non-Telephone	221,454		221,454
49	346190	Remote Control & Instrument	17,756	172,366	190,122
50	346300	Comm Equip Telephone	7,308		7,308
51	346300	Comm Equip Other	174,797		174,797
	347000	Misc Equipment		1,069	1,069
52		District Subtotal	61,408,451	365,579	61,775,030
53					
54		Allocated from Corporate	-		-
55	303600	Land & Land Rights AG	-		-
56	304510	Struct & Imp AG Cap Lease	-		-
57	304800	Struct & Imp Offices	-		-
58	304800	Struct & Imp Misc	-		-
59	304620	Struct & Imp Leasehold	28,920		28,920
60	331001	Mains	-		-
61	339600	Other P/E CPS	7,553		7,553
62	340100	Office Furniture & Equip	168,625		168,625
63	340200	Comp & Perish Equip	73,243		73,243
64	340300	Computer Software	265,949		265,949
65	340330	Comp Software Other	6,839		6,839
66	340500	Other Office Equipment	-		-
67	341100	Trans Equip Lt Duty Trks	-		-
68	343000	Tools, Shop, Garage Equip	-		-
69	344000	Laboratory Equipment	-		-
70	345000	Power Operated Equipment	-		-
71	346100	Comm Equip Non-Telephone	27,213		27,213
72	346200	Comm Equip Telephone	2,098		2,098
73	346300	Comm Equip Other	717		717
74	347000	Misc Equipment	-		-
75	380400	WW TD Equip Aux Eff Trmt	-		-
76	393000	WW Tool Shop & Garage Equip	-		-
77		Corp Allocations Subtotal	581,157		581,157
78					
79		Post Test Year Plant			
80		Well 5.1:			
81	304100	Struct & Impr Supply	52,719		52,719
82	307000	Wells & Springs	580,171		580,171
83	309000	Supply Main	46,550		46,550
84	311200	Pumping Equipment	423,724		423,724
85	320100	WT Equip Non-Media	14,214		14,214
86	347000	Misc Equipment	5,807		5,807
87			1,123,185		1,123,185
88					
89		Well 6.4 Rehabilitation			
90	304100	Struct & Impr Supply	1,830		1,830
91	307000	Wells & Springs	182,268		182,268
92	309000	Supply Main	1,220		1,220
93	311200	Pumping Equipment	294,867		294,867
94	320100	WT Equip Non-Media	12,681		12,681
95	334100	TD Mains 18in & Grtr	9,758		9,758
96			502,625		502,625
97		Less			
98		Youngtown Plant		(149,497)	(149,497)
99					
100		<b>Total Plant in Service</b>	<b>63,616,417</b>	<b>215,082</b>	<b>63,832,499</b>
101					
102		<b>Accumulated Depreciation</b>	<b>18,973,887</b>	<b>(22,008)</b>	<b>18,951,889</b>
103		<b>Net Plant in Service</b>	<b>\$ 44,642,520</b>	<b>\$ 238,090</b>	<b>\$ 44,880,610</b>
104					
105		<b>LESS:</b>			
106		Contributions in Aid of Construction (CIAC)	\$ 13,194,724		13,233,715
107		Less: Accumulated Amortization	15,011	-	15,011
108		Net CIAC (LBS - LRA)	13,179,713	-	13,218,704
109		Advances in Aid of Construction (AIAC)	5,860,651	-	5,860,651
110		Imputed Reg Advances	-	-	-
111		Imputed Reg CIAC	342,458	-	342,458
112		Accumulated Deferred Income Tax Credits	-	-	-
113		Customer Meter Deposits	2,450	-	2,450
114		<b>ADD:</b>			
115		Accumulated Deferred Income Tax Debits	1,904,817	-	1,855,656
116		Working Capital Allowance	416,111	-	272,781
117		Pumping Power	-	-	-
118		Purchase Wastewater Treatment Charges	-	-	-
119		Material and Supplies Inventory	51,086	-	51,086
120		Prepayments	118,894	-	118,894
121		Projected Capital Expenditures	-	-	-
122		Deferred Debits	437,906	-	437,906
123		<b>Original Cost Rate Base</b>	<b>\$ 28,186,062</b>	<b>\$ 238,090</b>	<b>\$ 28,182,680</b>

ARIZONA-AMERICAN WATER COMPANY - SUN CITY WATER  
Docket No. WS-01303A-09-0343  
Test Year Ended December 31, 2008

Schedule GWB-5  
ERRATA

RATE BASE ADJUSTMENT #1 PLANT AND ACCUMULATED DEPRECIATION

LINE NO.	ACCT NO.	Description	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
	361.20	Youngtown Plant	149,497	(149,497)	-
		Acc Deprec. Youngtown Plant Acc Dep.	22,008	(22,008)	-

References:

Column [A]: Amounts included in plant balances per filing and previous cases  
Column (B): Per Testimony GWB

ARIZONA-AMERICAN WATER COMPANY - SUN CITY WATER  
Docket No. WS-01303A-09-0343  
Test Year Ended December 31, 2008

Schedule GWB- 6  
ERRATA

**RATE BASE ADJUSTMENT #2 - ACCUMULATED DEFERRED INCOME TAXES**

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
1	Beginning Balance Per Decision No. 67093	\$ 13,025,093	\$ (336,093)	\$ 12,689,000
2	Allocation Factor	14.62%	14.62%	14.62%
3	Allocation to Sun City	1,904,817	(49,151)	1,855,666

**REFERENCES:**

Columns [A], Line 1: Amounts used by Co as basis for allocation

Column [A], [B] & [C], Line 2: Allocation rate to this system

Column [C], Line 1: Allocable amount per audited financial statements times allocation rate

Column [A], [B] & [C], Line 3: Calculation of allocated amounts

**RATE BASE ADJUSTMENT #3 - WORKING CAPITAL PER COMPANY**

LINE NO.	DESCRIPTION	[A] COMPANY TEST YEAR AS FILED	[B] COMPANY ADJUSTMENTS	[C] COMPANY AS ADJUSTED	[D] LEAD/LAG DAYS	[E] DOLLAR DAYS
1	Labor	\$ 1,225,670	\$ -	1,225,670	12.00	\$ 14,708,039
2	Purchased Water	\$ (0)	-	(0)	(59.03)	\$ 15
3	Fuel & Power	\$ 1,722,582	-	1,722,582	22.09	\$ 38,048,563
4	Chemicals	\$ 37,037	-	37,037	15.09	\$ 558,821
5	Waste disposal	\$ -	-	-	-	\$ -
6	Management Fees	\$ 1,509,322	-	1,509,322	14.77	\$ 22,294,950
7	Group Insurance	\$ 354,396	-	354,396	(13.70)	\$ (4,856,572)
8	Pensions	\$ 251,435	-	251,435	(2.37)	\$ (595,499)
9	Insurance Other Than Group	\$ 93,255	-	93,255	(83.68)	\$ (7,803,989)
10	Customer Accounting	\$ 235,348	-	235,348	10.09	\$ 2,374,500
11	Rents	\$ 60,016	-	60,016	32.82	\$ 1,969,891
12	Miscellaneous	\$ 300,084	-	300,084	25.96	\$ 7,789,394
13	Maintenance Expense	\$ 652,601	-	652,601	23.25	\$ 15,172,456
14	Other Operating Expenses1	\$ 153,833	-	153,833	30.00	\$ 4,614,978
15		\$ -	-	-	-	\$ -
16	Property Taxes	\$ 156,074	-	156,074	190.63	\$ 29,752,393
17	Taxes Other than Income	\$ 94,912	-	94,912	13.35	\$ 1,266,721
18	Income Tax	\$ 979,846	-	979,846	30.13	\$ 29,522,765
19	Interest	\$ 845,582	-	845,582	106.25	\$ 89,843,074
20	<b>Total Operating Expenses</b>	<b>8,671,993</b>	<b>-</b>	<b>8,671,993</b>		<b>244,660,500</b>
21						
22						
23	Expense Lag	Line 20, Col. (E) / Col [C]	28.21			
24	Revenue Lag	Company Workpapers	45.727			
25	Net Lag	Line 24 - 23	17.51			
26	Company Adjusted Expenses	Line 20, Col C	8,671,993			
27	Cash Working Capital	Line 25 * Line 26/365 day	416,111			
28	Company As Filed		416,111			
29	Difference		\$ -			
30						
31	References:					
32	Column [A]: Company Schedule C-1					
33	Column [B]: Staff adjustments to expenses, See Testimony GWB					
34	Column [C]: Column [A] + Column [B]					
35	Column [D]: Expense Lags Per the Company's Lead Lag Study in this proceeding					
36	Column [E]: Column [C] * Column [D]					

**RATE BASE ADJUSTMENT #3 - WORKING CAPITAL PER STAFF**

LINE NO.	DESCRIPTION	[A] COMPANY TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] LEAD/LAG DAYS	[E] DOLLAR DAYS
1	Labor	\$ 1,225,670	\$ (31,378)	1,194,292	12.00	\$ 14,331,503
2	Purchased Water	\$ (0)		(0)	(59.03)	\$ 15
3	Fuel & Power	\$ 1,722,582	228,562	1,951,144	22.09	\$ 43,097,054
4	Chemicals	\$ 37,037	(37,037)	(0.00)	15.09	\$ (0)
5	Waste disposal	\$ -		-	-	\$ -
6	Management Fees	\$ 1,509,322	(1,509,322)	-	-	\$ -
7	Group Insurance	\$ 354,396		354,396	(13.70)	\$ (4,856,572)
8	Pensions	\$ 251,435	18,438	269,873	(2.37)	\$ (639,167)
9	Insurance Other Than Group	\$ 93,255		93,255	(83.68)	\$ (7,803,989)
10	Customer Accounting	\$ 235,348	(51,888)	183,460	20.31	\$ 3,725,673
11	Rents	\$ 60,016		60,016	32.82	\$ 1,969,891
12	Miscellaneous	\$ 300,084	(21,688)	278,396	25.96	\$ 7,226,430
13	Maintenance Expense	\$ 652,601	(83,000)	569,601	23.25	\$ 13,242,772
14	Other Operating Expenses <sup>1</sup>	\$ 153,833		153,833	30.00	\$ 4,614,978
15		\$ -		-		\$ -
16	Property Taxes	\$ 156,074		156,074	190.63	\$ 29,752,393
17	Taxes Other than Income	\$ 94,912		94,912	13.35	\$ 1,266,721
18	Income Tax	\$ 979,846	(235,484)	744,362	30.13	\$ 22,427,620
19	Interest	845,582		845,582	106.25	89,843,074.23
20	<b>Total Operating Expenses</b>	<b>8,671,993</b>	<b>(1,722,798)</b>	<b>6,949,194</b>	<b>106</b>	<b>218,198,397</b>
21						
22						
23	Expense Lag	Line 20, Col. (E) / Col [C]	31.40			
24	Revenue Lag	Company Workpapers	45.727			
25	Net Lag	Line 24 - 23	14.33			
26	Staff Adjusted Expenses	Line 20, Col C	6,949,194			
27	Cash Working Capital	Line 25 * Line 26/365 day	272,780			
28	Company As Filed	Co Schedule B-5	416,111			
29	Staff Adjustment (L28-L27)	To GWB-4	(143,330)			
30						
31	References:					
32	Column [A]: Per Company, See Schedule GWB-6, Col [C]					
33	Column [B]: Staff adjustments to expenses, See Testimony GWB					
34	Column [C]: Column [A] + Column [B]					
35	Column [D]: Expense Lags Per the Company's Lead Lag Study in this proceeding					
36	Column [E]: Column [C] * Column [D]					

ARIZONA-AMERICAN WATER COMPANY - SUN CITY WATER  
Docket No. WS-01303A-09-0343  
Test Year Ended December 31, 2008

Schedule GWB - 9  
ERRATA

RATE BASE ADJUSTMENT #4 - CIAC ASSOCIATED WITH CWIP

LINE		[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
<u>NO.</u>	<u>DESCRIPTION</u>			
1	At December 31, 2008	13,194,724	38,991	13,233,715

REFERENCES:

Columns [A]: Company schedules  
Column [B]: Column [C] less Column [A]  
Column [C]: See testimony GWB

OPERATING INCOME STATEMENT - TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF RECOMMENDED CHANGES	[E] STAFF RECOMMENDED
1	Water Revenues	\$ 9,125,203	\$ -	\$ 9,125,203	\$ 1,843,078	\$ 10,968,281
2	Other Revenues	157,898	-	157,898	-	157,898
3	Other	-	-	-	-	-
4	<b>Total Operating Revenues</b>	<u>\$ 9,283,101</u>	<u>\$ -</u>	<u>\$ 9,283,101</u>	<u>\$ 1,843,078</u>	<u>\$ 11,126,179</u>
5	Labor	\$ 1,225,670	\$ (31,378)	\$ 1,194,292	\$ -	\$ 1,194,292
6	Purchased Water	-	-	-	-	-
7	Fuel & Power	1,722,582	228,562	1,951,144	-	1,951,144
8	Chemicals	37,037	(367)	36,671	-	36,671
9	Waste Disposal	-	-	-	-	-
10	Management Fees	1,509,322	(65,472)	1,443,850	-	1,443,850
11	Group Insurance	354,396	-	354,396	-	354,396
12	Pensions	251,435	18,438	269,873	-	269,873
13	Regulatory Expense	75,286	(5,891)	69,395	-	69,395
14	Insurance Other Than Group	93,255	-	93,255	-	93,255
15	Customer Accounting	235,348	(54,653)	180,696	2,765	183,460
16	Rents	60,016	-	60,016	-	60,016
17	General Office Expense	78,546	-	78,546	-	78,546
18	Miscellaneous	300,084	(21,688)	278,396	-	278,396
19	Maintenance Expense	652,601	(83,000)	569,601	-	569,601
20	Depreciation & Amortization	1,565,706	(57,885)	1,507,821	-	1,507,821
21	General Taxes-Property	156,074	-	156,074	10,243	166,317
22	General Taxes-Other	94,912	-	94,912	-	94,912
23	Income Taxes	9,746	28,229	37,975	706,387	744,362
24						
25	<b>Total Operating Expenses</b>	<u>8,422,017</u>	<u>(45,105)</u>	<u>8,376,912</u>	<u>719,395</u>	<u>9,096,306</u>
26	<b>Operating Income (Loss)</b>	<u>\$ 861,084</u>	<u>\$ 45,105</u>	<u>\$ 906,189</u>	<u>\$ 1,123,684</u>	<u>\$ 2,029,873</u>

References:

Column (A): Company Schedule C-1  
Column (B): Schedule GWB 11  
Column (C): Column (A) + Column (B)  
Column (D): Schedules GWB 2, Lines 29, 34 and 37  
Column (E): Column (C) + Column (D)

SUMMARY OF OPERATING INCOME ADJUSTMENTS - TEST YEAR

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) Power Expense ADJ #1 GWB-12	(C) Water Loss ADJ #2 GWB-13	(D) Bad Debt Exp ADJ #3 GWB-14	(E) Water Testing ADJ #4 GWB-15	(F) Depreciation Exp ADJ #5 GWB-16	(G) Income Taxes ADJ #6 GWB-17	(H) Rate Case ADJ #7 GWB-18	(I) Co Rebuttal AIP ADJ #8	(J) Co Rebuttal Stock Comp ADJ #9	(K) Co Rebuttal Mgmt Fees ADJ #10	(L) Co Rebuttal Other Exp ADJ #11	(M) Co Rebuttal Bus. Dev. ADJ #12	(N) Co Rebuttal Dues & Donatio ADJ #13	(O) Co Rebuttal Pension Exp ADJ #14	(P) Tank Maintenance ADJ #15 GWB-20	(Q) STAFF ADJUSTED
1	Water Revenues	\$ 9,125,203																\$ 9,125,203
2	Other Revenues	157,898																157,898
3	Other																	
4	Total Operating Revenues	\$ 9,283,101	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,283,101
5	Labor	\$ 1,225,670	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (18,690)	\$ (12,688)							\$ 1,194,292
6	Purchased Water																	
7	Fuel & Power	1,722,582																1,722,582
8	Chemicals	37,037																37,037
9	Waste Disposal																	
10	Management Fees	1,509,322																1,509,322
11	Group Insurance	354,396																354,396
12	Pensions	251,435																251,435
13	Regulatory Expense	75,286																75,286
14	Insurance Other Than Group	93,255																93,255
15	Customer Accounting	235,348																235,348
16	Rents	60,016																60,016
17	General Office Expense	78,546																78,546
18	Miscellaneous	300,084																300,084
19	Maintenance Expense	652,601																652,601
20	Depreciation & Amortization	1,565,706																1,565,706
21	General Taxes-Property	156,074																156,074
22	General Taxes-Other	94,912																94,912
23	Income Taxes	9,746																9,746
24																		
25																		
26	Total Operating Expenses	\$ 8,422,017	\$ 248,073	\$ (19,878)	\$ (54,653)	\$ (21,688)	\$ (57,885)	\$ 28,229	\$ (5,891)	\$ (18,690)	\$ (21,178)	\$ (19,652)	\$ (20,793)	\$ (12,301)	\$ (4,236)	\$ 18,438	\$ (83,000)	\$ 8,376,912
27	Operating Income (Loss)	\$ 851,084	\$ (248,073)	\$ 19,878	\$ 54,653	\$ 21,688	\$ 57,885	\$ (28,229)	\$ 5,891	\$ 18,690	\$ 21,178	\$ 19,652	\$ 20,793	\$ 12,301	\$ 4,236	\$ (18,438)	\$ 83,000	\$ 906,169

References:  
Column (A): Company Schedule C-1

ARIZONA-AMERICAN WATER COMPANY - SUN CITY WATER  
Docket No. WS-01303A-09-0343  
Test Year Ended December 31, 2008

Schedule GWB-12  
ERRATA

**OPERATING INCOME ADJUSTMENT #1 - POWER EXPENSE**

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>[A] COMPANY PROPOSED</u>	<u>[B] STAFF ADJUSTMENTS</u>	<u>[C] STAFF RECOMMENDED*</u>
1	Power Expense	<u>\$ 1,722,582</u>	<u>\$ 248,073</u>	<u>\$ 1,970,655</u>

References:

Column (A), Company Schedule C-1  
Column (B): Testimony GWB  
Column (C): Column (A) + Column (B)

\*: Not including Operating Income Adjustment #2 on Schedule GWB-13

**OPERATING INCOME ADJUSTMENT #2 - EXCESS WATER LOSS**

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Power Expense	\$ 1,722,582		
2	Staff Adjustment #1 (GWB-11)	\$ 248,073		
3	Subtotal Power	\$ 1,970,655	\$ (19,511)	\$ 1,951,144
4				
5	Chemicals Expense	\$ 37,037	\$ (367)	\$ 36,671
6	Disallowance Percent			
7	Adjustment to Chemical Exp.	\$ -		
8	<b>Disallowance Factor:</b>			
9	Acceptable Loss	10.00%		
10	Water Loss, Per Engineering	11.10%		
11	Allowable Percent of Exp.	99.01%	(1+Line 9) / (1+Line 10)	
12	Disallowance Percent	0.99%	1 minus Line 11	

References:

Column (A), Company Schedule C-1

Column (B): Testimony GWB , or Company proposed times disallowance factor Line 12

Column (C): Column (A) + Column (B)

**OPERATING INCOME ADJUSTMENT #3 - BAD DEBT EXPENSE**

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Uncollectible Accounts (Ordinary Activity)	\$ 140,618	\$ (98,614)	\$ 42,005
2	Uncollectible Accounts-MI (Misc. Invoices)	\$ (44,073)	\$ 43,961	\$ (112)
3	Total Uncollectibles	<u>\$ 96,546</u>	<u>\$ (54,653)</u>	<u>\$ 41,893</u>
4				
5	Uncollectible Accounts (Ordinary Activity)	\$ 1,152,299		
6	Allocation Percentage-	12.20%		
7	Company Proposed Amount, See Attachment 1, Col C	<u>\$ 140,618</u>		
8				
9	Staff Test Year Revenues, Schedule GWB-11			\$ 9,283,101
10	3 year average Bad Debt Exp. Rate, Per Co.			0.45%
11	Staff Recommended Bad Debt Exp			<u>\$ 42,005</u>
12				
13	Adjustment for Bad Debt Expense, Ordinary Activity		<u>\$ (98,614)</u>	
14				
15				
16	<b>Normalization of Uncollectible Accounts- Miscellaneous Invoices</b>			
17				
18	2006			\$ 341,820
19	2007			\$ 16,584
20	2008			<u>\$ (361,154)</u>
21	3 year total			<u>\$ (2,750)</u>
22	3 year average			<u>\$ (917)</u>
23	2008 Test Year Total, Attachment 1, Col A	\$ (361,154)		
24	Allocation Percentage-	12.20%		12.20%
25	Company Proposed Amount, See Attachment 1, Col C	<u>\$ (44,073)</u>		<u>\$ (112)</u>
26	Adjustment for Uncollectibles-MI		<u>\$ 43,961</u>	
27	Net Adjustment Uncollectibles, Ordinary Activity & MI		<u>\$ (54,653)</u>	
28				

References:

Column [A], Company Workpapers  
Column [B], line 13: Col. [C], line 11, less Col [A], line 7  
Column [B], line 26: Col. [C], line 25, less Col [A], line 25  
Column [B], line 27: Col. [B], line 13, plus Col [B], line 26  
Column (C): Line 10, Per Company's Workpapers  
Column (C): Lines 18-20, & 24 Per Company's Workpapers

OPERATING INCOME ADJUSTMENT #4 - WATER TESTING EXPENSE

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>[A] COMPANY PROPOSED</u>	<u>[B] STAFF ADJUSTMENTS</u>	<u>[C] STAFF RECOMMENDED</u>
1	Water Testing Expense*	<u>\$ 300,084</u>	<u>\$ (21,688)</u>	<u>\$ 278,396</u>

References:

Column (A), Company Schedule C-1

Column (B): Rebuttal Testimony of Linda Gutowski, page 14 of 21

Column (C): Column (A) + Column (B)

\* Included in Miscellaneous Expenses

OPERATING INCOME ADJUSTMENT #5 - DEPRECIATION EXPENSE

LINE NO.	ACCT. NO.	DESCRIPTION	[A] PLANT BALANCE	[B] DEPRECIATION RATE	[C] DEPRECIATION EXPENSE
1		<u>PLANT IN SERVICE:</u>			
2	301000	Organization	471	0.00%	-
3	302000	Franchises	-	0.00%	-
4	303200	Land & Land Rights SS	268,738	0.00%	-
5	303300	Land & Land Rights P	8,456	0.00%	-
6	303500	Land & Land Rights TD	10,493	0.00%	-
7	303600	Land & Land Rights AG	2,125	0.00%	-
8	304100	Struct & Imp SS	1,484,066	2.50%	37,102
9	304200	Struct & Imp P	2,135,282	1.67%	35,659
10	304300	Struct & Imp WT	126,815	1.67%	2,118
11	304400	Struct & Imp TD	34,162	2.00%	683
12	304500	Struct & Imp AG	272,321	3.99%	10,866
13	304600	Struct & Imp Offices	37,340	4.63%	1,729
14	304800	Struct & Imp Misc	1,386,988	1.67%	23,163
15	305000	Collect & Impounding	314	2.50%	8
16	307000	Wells & Springs	3,739,789	2.52%	94,243
17	309000	Supply Mains	286,318	2.00%	5,726
18	310000	Power Generation Equip	376,941	4.42%	16,661
19	310100	Power Generation Equip Other	-	4.42%	-
20	311200	Pump Equip Electric	9,255,161	4.42%	409,078
21	311300	Pump Equip Diesel	213,446	5.00%	10,672
22	311400	Pump Equip Hydraulic	16,219	4.42%	717
23	311500	Pump Equip Other	142,073	5.01%	7,118
24	320100.0	WT Equip Non-Media	422,761	7.06%	29,847
25	320200	Solution Chemical Feeders	120,791	5.00%	6,040
26	330000	Dist Reservoirs & Standpipe	3,555,457	1.67%	59,376
27	330200	Pressure Tank	81,352	5.00%	4,068
28	331001	TD Mains Not Classified by Size	6,604,111	1.53%	101,043
29	331100	TD Mains 4in & Less	12,563,122	1.53%	192,216
30	331200	TD Mains 6in to 8in	2,315,312	1.53%	35,424
31	331300	TD Mains 10in to 16in	706,349	1.53%	10,807
32	331400	TD Mains 18in & Grtr	89,607	2.00%	1,792
33	333000	Services	5,876,584	2.48%	145,739
34	334100	Meters	3,446,794	6.67%	229,901
35	334200	Meter Installations	592,322	2.51%	14,867
36	335000	Hydrants	2,270,400	2.00%	45,408
	336000	Backflow Preventors	7,036	6.67%	469
37	339500	Other P/E TD	523	0.00%	-
38	340100	Office Furniture & Equip	801,216	4.59%	36,776
39	340200	Comp & Periph Equip	305,121	10.00%	30,512
40	340300	Computer Software	25,335	25.00%	6,334
41	340310	Computer Software	9,105	25.00%	2,276
42	340325	Computer Software Custom	7,377	25.00%	1,844
43	340500	Other Office Equipment	3,854	7.13%	275
44	341100	Trans Equip Lt Duty Trks	1,095,694	20.00%	219,139
45	341200	Trans Equip Hvy Duty Trks	23,777	15.00%	3,567
46	341400	Trans Equip Other	8,233	16.67%	1,372
47	342000	Stores Equipment	20,038	3.91%	783
48	343000	Tools,Shop,Garage Equip	269,034	4.02%	10,815
49	344000	Laboratory Equipment	9,560	3.71%	355
50	345000	Power Operated Equipment	151,899	5.20%	7,899
51	346100	Comm Equip Non-Telephone	221,454	10.30%	22,810
52	346190	Remote Control & Instrument	190,122	10.30%	19,583
53	346200	Comm Equip Telephone	7,308	10.30%	753
54	346300	Comm Equip Other	174,797	4.93%	8,618
55	347000	Misc Equipment	1,069	6.19%	66
56		<b>District Subtotal</b>	<b>61,775,030</b>		

57		-		
58	Allocated from Corporate	-		
59	303600 Land & Land Rights AG	-		-
60	304510 Struct & Imp AG Cap Lease	-		-
61	304600 Struct & Imp Offices	-		-
62	304800 Struct & Imp Misc	-		-
63	304620 Struct & Imp Leasehold	28,920	14.28%	4,130
64	331001 Mains	-		-
65	339600 Other P/E CPS	7,553	3.30%	249
66	340100 Office Furniture & Equip	168,625	3.87%	6,526
67	340200 Comp & Periph Equip	73,243	10.00%	7,324
68	340300 Computer Software	265,949	25.00%	66,487
69	340330 Comp Software Other	6,839	25.00%	1,710
70	340500 Other Office Equipment	-		-
71	341100 Trans Equip Lt Duty Trks	-		-
72	343000 Tools,Shop,Garage Equip	-		-
73	344000 Laboratory Equipment	-		-
74	345000 Power Operated Equipment	-		-
75	346100 Comm Equip Non-Telephone	27,213	8.25%	2,245
76	346200 Comm Equip Telephone	2,098	8.25%	173
77	346300 Comm Equip Other	717	5.35%	38
78	347000 Misc Equipment	-		-
79	380400 WW TD Equip Aux Effl Trmt	-		-
80	393000 WW Tool Shop & Garage Equip	-		-
81	0 Corp Allocations Subtotal	581,157		
82	Youngtown Plant	(149,497)	2.83%	(4,231)
83	Post Test Year Plant	-		
84	Well 5.1:	-		
85	304100 Struct & Impr Supply	52,719	2.50%	1,318
86	307000 Wells & Springs	580,171	2.52%	14,620
87	309000 Supply Main	46,550	2.00%	931
88	311200 Pumping Equipment	423,724	4.42%	18,729
89	320100 WT Equip Non-Media	14,214	7.06%	1,004
90	347000 Misc Equipment	5,807		-
91	Total Well 5.1	1,123,185		
92		-		
93	Well 6.4 Rehabilitation	-		
94	304100 Struct & Impr Supply	1,830	2.50%	46
95	307000 Wells & Springs	182,268	2.52%	4,593
96	309000 Supply Main	1,220	2.00%	24
97	311200 Pumping Equipment	294,867	4.42%	13,033
98	320100 WT Equip Non-Media	12,681	7.06%	895
99	334100 TD Mains 18in & Grtr	9,758	6.67%	651
100	0 Total Well 6.4	502,625		
101		-		
102	Plant in Service	63,832,499		2,046,810
103				
104				
105	Less Non Depreciable Plant			
106	301000 Organization	471	0.00%	-
107	303200 Land & Land Rights SS	268,738	0.00%	-
108	303300 Land & Land Rights P	8,456	0.00%	
109	303500 Land & Land Rights TD	10,493	0.00%	
110	303600 Land & Land Rights AG	2,125	0.00%	
111				
112	Net Depreciable Plant and Depreciation Amounts	\$ 63,542,216		\$ 2,046,810
113	Composite Depreciation Rate		3.22%	
114	Less			
115	Amortization of Regulatory CIAC at Settlement Rate			112,708
116	Amortization of CIAC at Composite Rate	\$ 13,233,715		\$ 426,282
117	Staff Recommended Depreciation Expense			\$ 1,507,821
118	Company Proposed Depreciation Expense			1,565,706
119	Staff Adjustment			\$ (57,885)

References:

Col A	Schedule GWB-4
Col B	Proposed Rates per Staff Engineering Report for Non Allocated Plant
Col C	Col [A] times Col [B]

ARIZONA-AMERICAN WATER COMPANY - SUN CITY WATER  
Docket No. WS-01303A-09-0343  
Test Year Ended December 31, 2008

Schedule GWB-17  
ERRATA

OPERATING INCOME ADJUSTMENT #6 - INCOME TAXES

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>[A] COMPANY PROPOSED</u>	<u>[B] STAFF ADJUSTMENTS</u>	<u>[C] STAFF RECOMMENDED</u>
1	Income Taxes	<u>\$ 9,746</u>	<u>\$ 28,229</u>	<u>\$ 37,975</u>

References:

Column (A), Company Schedule C-2  
Column (B): Testimony GWB  
Column (C): Column (A) + Column (B)

ARIZONA-AMERICAN WATER COMPANY - SUN CITY WATER  
Docket No. WS-01303A-09-0343  
Test Year Ended December 31, 2008

Schedule GWB-18  
ERRATA

OPERATING INCOME ADJUSTMENT #7 - RATE CASE EXPENSE

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	RATE CASE EXPENSE	\$ 75,286	\$ (5,891)	\$ 69,395

References:

Column (A), Company Schedule C-2  
Column (B): Testimony GWB  
Column (C): Column (A) + Column (B)

OPERATING INCOME PROPERTY TAX EXPENSE GRCF COMPONENT

LINE NO.	DESCRIPTION	[A] STAFF AS ADJUSTED	[B] STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues - 2007	\$ 9,283,101	\$ 9,283,101
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	18,566,202	18,566,202
4	Staff Adjusted Test Year Revenues - 2007	9,283,101	
5	Staff Recommended Revenue		11,126,179
6	Subtotal (Line 3 + Line 4) & (Line 3 + Line 5)	27,849,303	29,692,381
7	Number of Years	3	3
8	Three Year Average (Line 6 / Line 7)	9,283,101	9,897,460
9	Department of Revenue Multiplier	2	2
10	Revenue Base Value (Line 7 * Line 8)	18,566,202	19,794,921
11	Plus: 10% of CWIP - 2008	151,628	151,628
12	Less: Net Book Value of Licensed Vehicles	-	-
13	Full Cash Value (Line 10 + Line 11 - Line 12)	18,717,830	19,946,549
14	Assessment Ratio	22.0%	22.0%
15	Assessment Value (Line 13 * Line 14)	4,117,923	4,388,241
16	Composite Property Tax Rate	3.79%	3.79%
17	Staff Test Year Adjusted Property Tax Expense (Line 15 * Line 16)	\$ 156,074	
18	Company Proposed Property Tax	\$ 156,074	
19	Staff Test Year Adjustment (Line 16 - Line 17)	\$ 0	
20	Property Tax on Staff Recommended Revenue (Line 15 * Line 16)		\$ 166,317
21	Staff Test Year Adjusted Property Tax Expense (Line 17)		\$ 156,074
22	Increase in Property Tax Due to Increase in Revenue Requirement		\$ 10,243
23	Increase in Property Tax Due to Increase in Revenue Requirement (Line 22)		\$ 10,243
24	Increase in Revenue Requirement		\$ 1,843,078
25	Increase in Property Tax Per Dollar Increase in Revenue (Line 23 / Line 24)		0.55577%

REFERENCES:

Line 15: Composite Tax Rate, per Company  
Line 17: Company Schedule C-1, Line 27  
Line 21: Line 19 - Line 20  
Line 23: Schedule GWB-1, Line 8

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ARIZONA-AMERICAN WATER COMPANY - SUN CITY WATER  
Docket No. WS-01303A-09-0343  
Test Year Ended December 31, 2008

Schedule GWB-20  
ERRATA

**OPERATING INCOME ADJUSTMENT #15 - TANK MAINTENANCE**

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>[A] COMPANY PROPOSED</u>	<u>[B] STAFF ADJUSTMENTS</u>	<u>[C] STAFF RECOMMENDED</u>
1	Power Expense	<u>\$ 445,000</u>	<u>\$ (83,000)</u>	<u>\$ 362,000</u>

References:

Column [A], Company Workpapers

Column [B]: Col [C] less Col [A]

Column [C]: Staff Oral Testimony